REMARKS

Reconsideration of this application is respectfully requested in view of the foregoing amendment and the following remarks. Claims 1-30 are currently pending. Claims 1-22 are rejected. Claims 1-14 and 17-22 are amended. Claims 23-30 are added. No new matter is added. Support for claims 23-30 can be found, at a minimum, in paragraphs 20-22 as well as Figures 2 and 3.

Interview Summary

The undersigned representative wishes to thank the Examiner for the Examiner Interview on October 30, 2006. At the Interview, the Examiner indicated that the rejections to claims 1 and 12 under §§ 101 and 112 can be overcome with amendments similar to those presented herein.

Rejection of Claims 1-22 under 35 USC § 101

Claims 1-22 stand rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Specifically, the Examiner asserts that:

> 35 USC 101 requires that in order to be patentable the invention must be a "new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof" (emphasis added).
>
> Claims 1-11 recite "A financial instrument". It is not clear if the claimed invention is a "new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof". A financial instrument is essentially a contract and as such does not fall into one of the above-mentioned categories.
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> Claims 12-22 are rejected under 35 U.S.C. 5 101 for failing to produce useful, concrete and tangible result. Claims 12-22 recite the steps of offering and providing a clause that doesn't ensure anything real world, so it lacks tangibility. The steps of offering and providing a clause does not require a response. Arguably this is not useful, as merely offering and providing a clause doesn't yield anything specific and substantial.
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> The Court of Appeals for the Federal Circuit issued opinions in State Street Bank & Trust Co. v. Signature Financial Group Inc., 149 F. 3d 1368,47 USPQ2d 1596 (Fed. Cir. 1998) and AT&T Corp. v. Excel Communications, Inc., 172 F.3d 1352,50 USPQ2d 1447 (Fed. Cir. 1999). These decisions explained that, to be eligible for patent protection, the claimed invention as a whole must

> accomplish a practical application. That is, it must produce a "useful, concrete and tangible result." State Street, 149 F.3d at 1373-74,47 USPQ2d at 1601 02. To satisfy section 101 requirements, the claim must be for a practical application of the § 101 judicial exception, which can be identified in various ways: (a) The claimed invention "transforms" an article or physical object to a different state or thing. (b) The claimed invention otherwise produces a useful, concrete and tangible result, based on the factors discussed below.
>
> The USPTO's official interpretation of the utility requirement provides that the utility of an invention has to be (i) specific, (ii) substantial and (iii) credible. See MPEP § 2107.
>
> The tangible requirement does require that the claim must recite more than a § 101 judicial exception, in that the process claim must set forth a practical application of that § 101 judicial exception to produce a real-world result. Benson, 409 U.S. at 71-72, 175 USPQ at 676-77 (invention ineligible because had "no substantial practical application").
>
> For an invention to produce a "concrete" result, the process must have a result that can be substantially repeatable or the process must substantially produce the same result again. Swartz, 232 F.3d 862, 864, 56 USPQ2d 1703, 1704 (Fed. Cir. 2000) (where asserted result produced by the claimed invention is "irreproducible" claim should be rejected under section 101). The opposite of "concrete" is unrepeatable or unpredictable.
>
> There is no useful, concrete and tangible result produced from implementing the steps of the claimed invention. Claims 13-22 are rejected for the same reason and by way of dependency on a rejected independent claim.

This rejection is rendered moot in view of the claim amendments to claims 1-14 and 17-22. Accordingly, it is respectfully requested that the rejection of claims 1-22 under 35 U.S.C. § 101 be reconsidered and withdrawn.

<u>Rejection of claims 1-22 under 35 USC § 112, Second Paragraph</u>

Claims 1-22 stand rejected under 35 U.S.C. § 112, second paragraph. Specifically, the Examiner asserts that:

> Claims 1-11 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. It is not clear if by the term "A financial instrument", the Applicants mean "a method", "an apparatus" or "a

> process". It is not clear as to which statutory class the claimed invention belongs. Clarification is required.
>
> Claims 12-22 are rejected under *35* U.S.C. 112, second paragraph, as being incomplete for omitting essential structural cooperative relationships of elements, such omission amounting to a gap between the necessary structural connections. See MPEP *5* 2172.01.
>
> In claim 12 it is not clear as to how the steps of offering a fixed income instrument, offering a coupon for the fixed income instrument and providing a first acceleration trigger clause are related to the step of offering a forward purchase contract to purchase at least one equity share at a predetermined future contract date and how these steps taken together lead to the claimed objective of offering a financial instrument. Claims 13-22 are rejected by dependency. Appropriate clarification correction is required.
>
> Also the preamble of claim 12 recites "A method for offering a financial instrument". However the body of the claim recites "offering a fixed income instrument" and "offering a forward purchase contract", which amounts to offering two financial instruments. Hence the metes and bounds of the claim are indeterminate. Claims 13-22 are rejected by dependency. Appropriate clarification/correction is required.

This rejection is rendered moot in view of the claim amendments to claims 1-14 and 17-22. Accordingly, it is respectfully requested that the rejection of claims 1-22 under 35 U.S.C. § 112, second paragraph be reconsidered and withdrawn.

Rejection of claims 1-22 under 35 USC § 103(a)

Claims 1-22 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent Application No. 2003/0130941 to Birle Jr. *et al.* ("Birle"). Specifically, the Examiner asserts that:

> Claims 1 and 12, Birle teaches the step of providing a first acceleration trigger clause to designate a contingency prior to a predetermined date upon a happening of a first predetermined event (See Birle Paragraph 39).
>
> Birle does not explicitly the steps of offering a fixed income instrument having a predetermined remarketing date for remarketing the fixed income instrument; offering a coupon for the fixed income instrument; offering a forward purchase contract to purchase at least one equity share at a predetermined future contract date.
>
> Official notice is taken that the steps of offering a fixed income instrument having a predetermined remarketing date; offering a coupon for the fixed income instrument; offering a forward purchase contract to purchase at least one equity

> share at a predetermined future contract date is old and well known in the art. These steps are common in the design of a hybrid security that combines the features of two or more individual securities. These steps enable an issuer to tailor securities according to their needs and requirements. The limitation "for remarketing the fixed income instrument" is interpreted as intended use and hence not given any patentable weight.
>
> It would have been obvious to one of ordinary skill in the art to include these steps to the disclosure of Birle. The combination of disclosures suggests that issuers would have benefited from having the financial instruments structured to suit their individual needs and requirements.
>
> Claims 2 and 13, Birle teaches the step of providing a second acceleration trigger clause designating a second date to make a contingent payment upon a happening of a second predetermined event (See Birle Paragraph 39). The contingent payment is interpreted to include payments to purchase the at least one equity share.
>
> Claims 3 and 14, Birle teaches providing a second acceleration trigger clause designating a third date to designate a contingency upon a happening of a second predetermined event (See Birle Paragraph 39). The contingency is interpreted to include remarketing the fixed income instrument prior to the predetermined remarketing date.
>
> Claims 4-1 1 and 15-22, Birle discloses multiple triggers that may be triggered at any time (See Birle Paragraph 39). The multiple triggers that may be triggered at any time are interpreted to include the specific dates and features included in these claims.

This rejection is respectfully traversed. Claim 1 is directed at a method for performing a financial transaction having a financial instrument that includes a fixed income instrument, a forward purchasing contract (e.g., an Upper DECS), and an acceleration trigger that triggers the remarketing of the fixed income instrument upon an occurrence of an event, e.g., the issuer suffering a credit rating slip. The acceleration trigger allows the fixed income instrument to be remarketed prior to the fixed income instrument's predetermined remarketing date thus enabling the first investor (the investor who received the Upper DECS) to have the funds to purchase the at least one equity share.

The Office Action takes Official Notice for the fixed income instrument and forward purchasing contract and asserts that Birle teaches the acceleration trigger. Specifically, the Office Action recites Paragraph 39 of Birle for teaching the step of providing a first acceleration

trigger clause to designate a contingency prior to a predetermined date upon a happening of a first predetermined event. Paragraph 39 of Birle recites:

> The contingent payment financial instrument may, for example, be a convertible debt instrument. If the instrument is callable at any time after the first five years, the issuer may have the right to redeem the instruments at their accreted value. Holders may also have the right to require the issuer to redeem the instruments at their accreted value on each fifth anniversary of the issue date, and upon a change in control of the issuer. The difference between the issue price and principal amount of the contingent payment debt instrument will accrue by a specified percentage. A three-percent yield, for example, may be a reasonable rate under some market conditions. Beginning at a pre-determined period of time (e.g., five years) after issuance of the contingent payment instruments, or at the end of a non-call period, and for each period (e.g., semi-annual, annual, etc.) thereafter, or under circumstances or formulae calculations, the issuer may pay contingent interest if the trading value of the instrument exceeds a specified percentage of the accreted value of each instrument for some pre-determined number of consecutive days (or any other suitable period) immediately preceding the first day of the interest accrual period. In some embodiments, the specified percentage of the accreted value may change, for example, by a predetermined percentage on a periodic basis. Also, in some embodiments, the amount of the contingent payment may change with multiple triggers that may be triggered at specified pre-determined times. Other embodiments may have multiple triggers that may be triggered at any time. In some embodiments, contingent payments may be triggered by only one trigger or by more than one trigger. In some embodiments, a trigger may be any event and may or may not be associated with the financial instrument paying such contingent payments.

Paragraph 39 discloses redeeming an instrument after a non-callable period and triggers that may result in the issuer making contingent payments. Paragraph 39 does not disclose a triggering event for designating a remarketing date (a first date) upon an occurrence nor does Paragraph 39 disclose remarketing the instrument. Specifically, paragraph 39 does not teach or suggest "a first acceleration trigger clause to designate a first date to remarket the fixed income instrument upon an occurrence of a first predetermined event; and remarketing the fixed income instrument on the first date upon the occurrence of the first predetermined event" as recited in claim 1.

Pursuant to the requirements for establishing a *prima facie* case of obviousness, all the claim limitations must be taught or suggested by the prior art. *In re Royka*, 490 F.2d 981, 180

USPQ 580 (CCPA 1974). As discussed herein, the Examiner has not met the initial burden of factually supporting a *prima facie* conclusion of obviousness and the undersigned representative is under no obligation to submit evidence of nonobviousness. MPEP § 2142; *See In re Newell*, 891 F.2d 899, 13 USPQ2d 1210 (Fed. Cir. 1985). Thus, the Office Action fails to establish a *prima facie* case of obviousness with respect to claim 1 of the present application. Since claim 12, contains similar limitations as claim 1, the Office Action fails to establish a *prima facie* case of obviousness with respect to claim 12 of the present application.

As admitted in the Office Action, "Birle does not explicitly [teach] the steps of offering a fixed income instrument having a predetermined remarketing date for remarketing the fixed income instrument; offering a coupon for the fixed income instrument; offering a forward purchase contract to purchase at least one equity share at a predetermined future contract date." In order to cure the deficiencies and fill the gaps of Birle, the Examiner takes Official Notice of these steps. Specifically, the Office Action recites "Official notice is taken that the steps of offering a fixed income instrument having a predetermined remarketing date; offering a coupon for the fixed income instrument; offering a forward purchase contract to purchase at least one equity share at a predetermined future contract date is old and well known in the art." However, the Examiner taking Official Notice is improper.

It is never appropriate to rely solely on "common knowledge" in the art without evidentiary support in the record, as the principal evidence upon which a rejection was based. *Zurko*, 258 F.3d at 1385, 59 USPQ2d at 1697 ("[T]he Board cannot simply reach conclusions based on its own understanding or experience-or on its assessment of what would be basic knowledge or common sense. Rather, the Board must point to some concrete evidence in the record in support of these findings."); MPEP 2144.03 (emphasis added).

The Office Action does not provide the proper motivation to modify Birle. Significantly, it has been judicially held that generalizations do not establish the requisite motivation to modify a specific reference in a specific manner to arrive at a specifically claimed invention. *See In re Deuel*, 51 F.3d 1552, 34 USPQ2d 1410 (Fed. Cir. 1995). In discussing the steps that the Examiner takes Official Notice for, the Examiner asserts that "[t]hese steps are common in the

design of a hybrid security that combines the features of two or more individual securities. These steps enable an issuer to tailor securities according to their needs and requirements." Such conclusory statements are inappropriate without the Examiner providing specific factual findings predicated on sound technical and scientific reasoning to support the Examiner's conclusory statements. The Examiner is relying on conclusory statements and has not provided proper motivation to modify Birle, thus the Examiner has not met his burden of establishing a *prima facie* case of obviousness.

Indeed, the Examiner recognizes the fact that such a modification would provide an improvement or advantage, *without suggestion thereof by the prior art*, rather than dictating a conclusion of obviousness. This indicates an improper application of hindsight considerations. Simplicity and hindsight are not proper criteria for resolving obviousness. *In re Warner*, 379 F.2d 1011, 154 USPQ 173 (CCPA 1967). Only the present application discloses an Upper DECS financial instrument having one or more acceleration triggers. Birle does not teach or suggest Upper DECS. Thus, the only motivation of record for the proposed modification of Birle to arrive at the claimed invention is found in Applicant's disclosure which, of course, may not properly be relied upon to support the ultimate legal conclusion of obviousness under 35 U.S.C. §103. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 227 1 USPQ2d 1593 (Fed. Cir. 1987). Thus, the Examiner is using hindsight which is improper criteria for resolving obviousness.

Finally, the Examiner is not considering the claimed invention as a whole. In determining the differences between the prior art and the claims, the question under 35 U.S.C. §103 is not whether the differences themselves would have been obvious, but whether the claimed invention as whole would have been obvious. *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 218 USPQ 871 (Fed. Cir. 1983). Distilling an invention down to the "gist" or "thrust" of an invention disregards the requirements of analyzing the subject matter "as a whole." *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 721 F.2d 1540, 220 USPQ 303 (Fed. Cir. 1983). The Examiner is not looking at the claimed invention as whole, but simply looking at whether

the differences themselves would have been obvious. Thus, the Examiner is improperly rejecting claims 1-22.

Thus, for at least these reasons, independent claims 1 and 12, as well as dependent claims 2-11 and 13-22, respectively, are patentable over Birle. As a result, the undersigned representative requests that the rejection of claims 1-22 under 35 U.S.C. §103(a) be withdrawn.

CONCLUSION

The foregoing is submitted as a full and complete Response to the non-final Office Action mailed June 15, 2006, and early and favorable consideration of the claims is requested. If the Examiner believes any informalities remain in the application which may be corrected by Examiner's Amendment, or if there are any other issues which may be resolved by telephone interview, a telephone call to the undersigned attorney at (202)508-5843 is respectfully solicited.

Please charge any shortage in fees due in connection with the filing of this paper, including extension of time fees, to Deposit Account 50-1458, and please credit any excess fees to such deposit account.

Respectfully submitted,

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